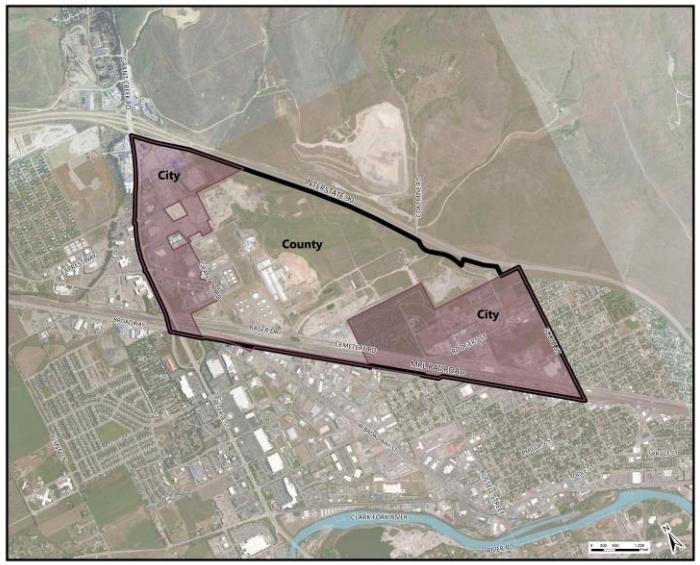
Appendix C: Market Overview and Land Use

Introduction

The North Reserve|Scott Street Plan Area is shown in the graphic below. The area is north of the Montana Rail Link railroad tracks, south of I-90 and lies between North Reserve Street and Scott Street. The purpose of this study is to estimate the potential for redevelopment in the Plan Area.



The Missoula Redevelopment Agency (MRA) has requested an evaluation of the potential for new development in the Plan Area that may include industrial, commercial, mixed use and residential building in concert with existing uses in and adjacent to the Plan Area. MRA also requested and analysis of the potential land uses that might be compatibly locate near Roseburg Forest Products without negatively impacting their operation.

The first thing we look at is the market overview. We will examine area and MSA demographic characteristics and trends, retail supply and demand, potential markets for appropriate land uses, current and projected employment for the county, constraints to market feasibility for the considered land uses, and a program for uses feasible in current and future markets.

Demographic Trends

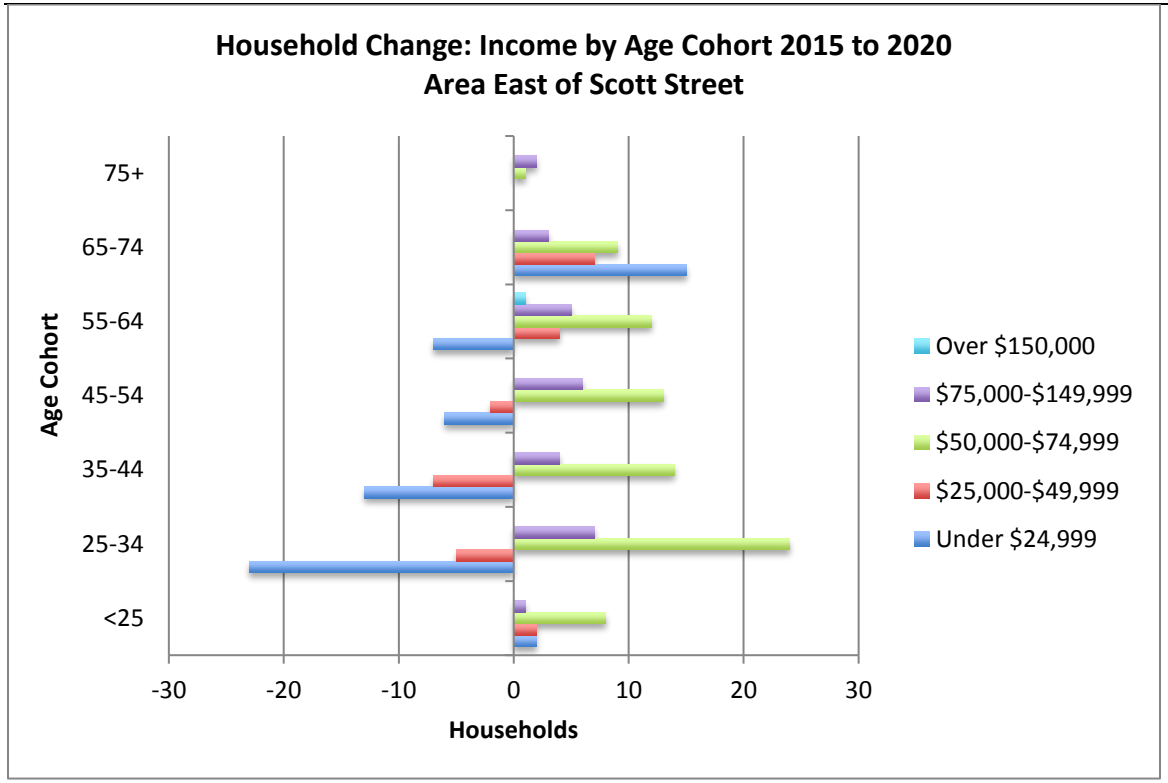
Population trend analysis requires households. As configured, the Plan Area contains an insignificant number of households to determine population trends. The area just east of Scott Street and just outside of the Plan Area boundary does have housing and the demographics of the population are outlined in the table below.

Demographic Overview				**Change**
East of Scott Street	**2010**	**2015**	**2020**	**2015-20**
Population	2,788	2,932	3,082	150
Households	1,300	1,385	1,462	77
Families	537	561	585	24
Non-family Households	763	824	877	53
Non-family Percent	59%	59%	60%	69%
Average Household Size	2.14	2.12	2.11	1.95*
Owner Occupied Housing Units	415	395	417	22
Renter Occupied Housing Units	885	990	1,045	55
Renter Occupied Percent	68%	71%	71%	71.4%
Median Age	28	28	29	0.30
Median Household Income	NA	$28,685	$32,628	$3,943

*This number is equal to future population change divided by future household change. The intent of this calculation is to show what the average household size will be for households formed or changed between 2015 and 2020, rather than the average for all households. For the redevelopment area, this analysis implies that the target demographic for mixed use of infill units may be 2 person or fewer households.

Population by Age East of Scott Street	2010	2015	2020	Change 2015-20	Percent 2015-20
0-19	641	679	726	47	6.9%
20-34	1,257	1,251	1,275	24	1.9%
35-54	597	666	674	8	1.2%
55-64	179	193	212	19	9.8%
65 Plus	103	130	180	50	38.5%
Senior Percent	4%	4%	6%	33%	

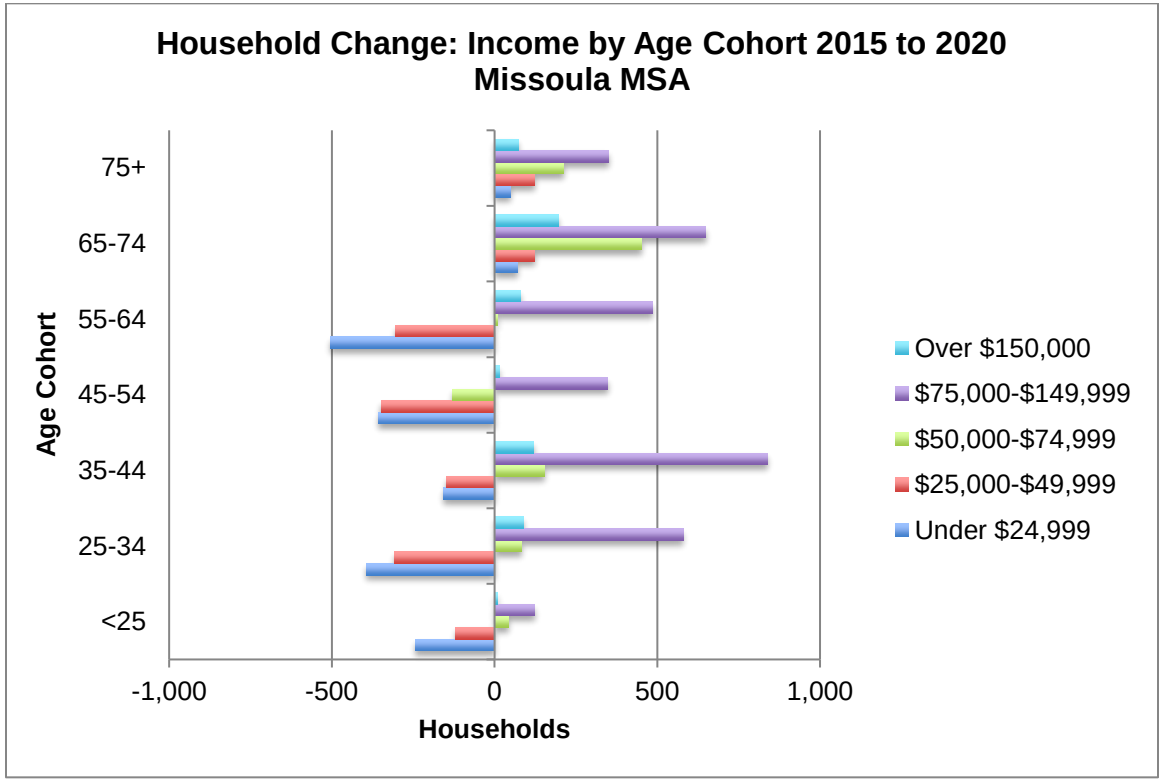
Population by age for the area east of Scott Street show that one-third of growth is in senior households. The chart below illustrates change by age cohort and income and reveals that many of these senior households, by 2020, will be low income with annual income of less than $25,000 per household. At the same time, cohorts other than seniors show increasing middle-income households with the greatest growth occurring in households with annual incomes between $50,000 and $74,999 annually.


Household Change: Income by Age Cohort 2015 to 2020
Area East of Scott Street
Age Cohort
75+
65-74
55-64
45-54
35-44
25-34
<25
-30
-20
-10
0
10
20
30
Households
Over $150,000
$75,000-$149,999
$50,000-$74,999
$25,000-$49,999
Under $24,999

The Missoula MSA

Demographic Overview				Change
Missoula MSA	**2010**	**2015**	**2020**	**2015-20**
Population	109,299	113,665	118,223	4,558
Households	45,926	48,471	50,727	2,256
Families	25,931	27,065	28,142	1,077
Non-family Households	19,995	21,406	22,585	1,179
Non-family Percent	44%	44%	45%	52%
Average Household Size	2.30	2.27	2.26	2.02*
Owner Occupied Housing Units	27,300	27,223	28,504	1,281
Renter Occupied Housing Units	18,626	21,248	22,223	975
Renter Occupied Percent	40.6%	43.8%	43.8%	43.2%
Median Age	34.4	35.4	36.7	1.30
Median Household Income	NA	$47,534	$54,868	$7,334

Population by Age				Change	Percent
Missoula MSA	**2010**	**2015**	**2020**	**2015-20**	**2015-20**
0-19	26,015	25,659	26,381	722	2.8%
20-34	29,599	30,604	30,049	-555	-1.8%
35-54	27,360	26,764	27,615	851	3.2%
55-64	13,868	15,147	14,911	-236	-1.6%
65 Plus	12,457	15,491	19,267	3,776	24.4%
Senior Percent	11%	14%	16%	83%	



Household change for the MSA indicates the largest growth is in households with incomes between $75,000 and 149,999. At the same time, 83 percent of that growth is in households 65 years of age and older. This may offer an opportunity for senior and empty nester housing at higher income ranges than the average for the MSA.

Retail Services

The Missoula Montana MSA captures more sales than there is demand for in the MSA (see the demand and supply tables on the following pages). While this might imply that there is no demand for future retail space, income in the MSA is rising faster than inflation and thus it may be possible to support new space based upon the rise in aggregate income. This potential is shown in the table below. All figures are rounded.

	Change 2015-20	Rate (Pct)
Change in Aggregate Income	$557,256,000	3.5%
Change at Inflation Rate	245,375,000	2%
Real Change in Aggregate Inc.	$311,881,000	
Typical Spending %	27%	
Potential New Spending	$84,208,000	
Sales per SF in New Construction	450	
Potential New Space SF MSA Only	187,000	

Some of this future spending will be captured by existing businesses, but the magnitude of change does indicate potential for retail infill in the North Reserve|Scott Street Plan Area. Future potential for these services will depend upon the design of future development, the utility or critical mass, and the type and quality of the retail services offered. In addition, REMI statewide forecasts indicate population change of ±21,600 additional persons between 2015 and 2036, which, by itself, could add approximately $225 million in spending within the MSA by that time. The data makes clear that Missoula is now, and in the future will be a destination. Locations with gateway access can be expected to capture significant outside spending.

If mixed-use development with a residential component is created in the Plan Area, local demand for food, drink and local serving retail will increase. This may open an opportunity for smaller businesses catering to more local populations if a critical mass can be achieved to develop a destination appealing to local preferences.

To understand the retail market we must also look at the MSA (see the table of Missoula MSA Retail Demand and Sales, following). Sales to residents of the MSA account for 57 percent of retail sales and 65 percent of restaurant and drinking places sales. In general, retail categories with the highest local percentage of support will have higher competition since their market area is much smaller than those businesses that attain sales through high percentages of support from outside the MSA.

For design purposes, average sales per business are not an indicator of whether a new business in a new building can be supported in the Plan Area because of the constraints of current business models and construction costs. As an example, a typical 40,000 square foot grocery in a new building requires sales in the range of $450 per square foot per year, for total annual sales of ± $18 million. 73% of grocery sales are local, so while a new grocery would capture some support from outside the MSA, approximately $13 million would need to come from inside the MSA. Currently MSA households spend $3,800 per household on grocery, requiring approximately 3,500 new households to support a new store. Since growth is expected to be around 2,250 households, a store in the range of 25,000 square feet is more likely. Exactly how much and what type of retail can be supported in the Plan Area will be further researched as design and planning progress.

North Reserve/ Scott Street Plan Area Retail Demand and Sales Industry Summary	**Sales**	**Number of Businesses**
Total Retail Trade and Food & Drink	110,287,505	19
Total Retail Trade	104,701,358	15
Total Food & Drink	5,586,147	4
Industry Group		
Motor Vehicle & Parts Dealers	26,574,622	
Furniture & Home Furnishings Stores	1,908,294	
Electronics & Appliance Stores	5,603,828	
Bldg Materials, Garden Equip. & Supply Stores	3,088,794	
Food & Beverage Stores	2,610,632	
Grocery Stores	*2,058,537*	
Health & Personal Care Stores	11,984,308	
Gasoline Stations	8,864,339	

Clothing & Clothing Accessories Stores	1,134,421
Clothing Stores	*1,134,421*
Shoe Stores	*NA*
Jewelry, Luggage & Leather Goods Stores	*NA*
Sporting Goods, Hobby, Book & Music Stores	3,904,791
General Merchandise Stores	29,813,192
Other General Merchandise Stores	*24,349,749*
Miscellaneous Store Retailers	4,545,322
Non-store Retailers	4,668,815
Food Services & Drinking Places	5,586,147
Full-Service Restaurants	*1,294,367*
Limited-Service Eating Places	*3,778,517*
Special Food Services	*NA*
Drinking Places - Alcoholic Beverages	*NA*

Demand is not shown in this table because according to ESRI there are an insignificant number of households within the Plan Area boundary and so almost all demand is from outside the Plan Area.

Missoula MSA Retail Demand and Sales			**Sales Less**	**Pct. Sales**
Industry Group	**MSA Demand**	**MSA Sales**	**Demand**	**Outside**
Motor Vehicle & Parts Dealers	**239,101,486**	**479,419,263**	**240,317,777**	**50%**
Automobile Dealers	*202,527,821*	*380,167,580*	*177,639,759*	*47%*
Other Motor Vehicle Dealers	*18,310,587*	*68,556,272*	*50,245,685*	*73%*
Auto Parts, Accessories & Tire Stores	*18,263,078*	*30,695,411*	*12,432,333*	*41%*
Furniture & Home Furnishings Stores	**26,398,636**	**60,894,370**	**34,495,734**	**57%**
Furniture Stores	*15,531,606*	*31,701,290*	*16,169,684*	*51%*
Home Furnishings Stores	*10,867,030*	*29,193,080*	*18,326,050*	*63%*
Electronics & Appliance Stores	**32,515,588**	**63,574,658**	**31,059,070**	**49%**

Bldg Materials, Garden Equip. & Supply Stores	**39,899,302**	**73,838,405**	**33,939,103**	**46%**
Bldg Material & Supplies Dealers	*33,707,735*	*58,910,674*	*25,202,939*	*43%*
Lawn & Garden Equip & Supply Stores	*6,191,567*	*14,927,731*	*8,736,164*	*59%*
Food & Beverage Stores	**184,356,556**	**252,546,787**	**68,190,231**	**27%**
Grocery Stores	*169,462,736*	*226,214,986*	*56,752,250*	*25%*
Specialty Food Stores	*2,852,565*	*3,074,078*	*221,513*	*7%*
Beer, Wine & Liquor Stores	*12,041,255*	*23,257,723*	*11,216,468*	*48%*
Health & Personal Care Stores	**68,751,160**	**103,822,304**	**35,071,144**	**34%**
Gasoline Stations	**136,409,938**	**344,797,966**	**208,388,028**	**60%**
Clothing & Clothing Accessories Stores	**67,209,991**	**74,247,328**	**7,037,337**	**9%**
Clothing Stores	*47,047,622*	*47,159,469*	*111,847*	*0%*
Shoe Stores	*8,404,194*	*10,136,967*	*1,732,773*	*17%*
Jewelry, Luggage & Leather Goods Stores	*11,758,175*	*16,950,892*	*5,192,717*	*31%*
Sporting Goods, Hobby, Book & Music Stores	**35,290,752**	**85,471,393**	**50,180,641**	**59%**
Sporting Goods/Hobby/Musical Instr Stores	*27,235,045*	*57,799,517*	*30,564,472*	*53%*
Book, Periodical & Music Stores	*8,055,707*	*27,671,876*	*19,616,169*	*71%*
General Merchandise Stores	**212,676,379**	**316,991,326**	**104,314,947**	**33%**
Department Stores Excluding Leased Depts.	*80,651,905*	*129,874,603*	*49,222,698*	*38%*
Other General Merchandise Stores	*132,024,474*	*187,116,723*	*55,092,249*	*29%*
Miscellaneous Store Retailers	**37,343,510**	**53,405,336**	**16,061,826**	**30%**
Florists	*1,262,097*	*1,743,839*	*481,742*	*28%*
Office Supplies, Stationery & Gift Stores	*11,652,774*	*20,833,140*	*9,180,366*	*44%*
Used Merchandise Stores	*5,229,588*	*4,655,269*	*(574,319)*	*NA*
Other Miscellaneous Store Retailers	*19,199,051*	*26,173,088*	*6,974,037*	*27%*
Nonstore Retailers	**29,076,499**	**45,327,107**	**16,250,608**	**36%**
Electronic Shopping & Mail-Order Houses	*16,560,583*	*2,544,833*	*(14,015,750)*	*NA*
Vending Machine Operators	*679,427*	*1,002,105*	*322,678*	*32%*
Direct Selling Establishments	*11,836,489*	*41,780,169*	*29,943,680*	*72%*
Food Services & Drinking Places	**129,380,647**	**198,401,534**	**69,020,887**	**35%**

Full-Service Restaurants	*52,904,547*	*87,057,545*	*34,152,998*	**39%**
Limited-Service Eating Places	*62,631,562*	*83,369,620*	*20,738,058*	**25%**
Special Food Services	*6,023,604*	*5,802,292*	*(221,312)*	*NA*
Drinking Places - Alcoholic Beverages	*7,820,934*	*22,172,077*	*14,351,143*	**65%**

Employment

The state of Montana has published employment projections by sector for statewide employment. Given the percentages of change from each sector, we applied the projections to the Missoula MSA using 2015 data from ESRI BIS and Dun and Bradstreet. Projections are statewide, so even though the numbers are not rounded, they are only rough approximations, but are sufficient to show future demand if considered conservatively.

Missoula Montana MSA **Current Employment and Projections**	**2015 Jobs**	**2024 Jobs**	**Change**
Agriculture, Forestry, Fishing & Hunting	589	622	33
Mining	57	69	12
Utilities	166	177	11
Construction	3,572	4,413	841
Manufacturing	2,359	2,532	173
Wholesale Trade	2,428	2,580	152
Retail Trade	11,019	11,709	690
Transportation & Warehousing	1,805	1,924	119
Information	1,706	1,775	69
Finance & Insurance	2,912	3,175	263
Real Estate, Rental & Leasing	1,695	1,848	153
Professional, Scientific & Tech Services	3,579	4,465	886
Management of Companies & Enterprises	49	51	2
Administrative & Waste Management	1,813	2,194	381
Educational Services	4,833	5,100	267
Health Care & Social Assistance	13,085	15,364	2,279
Arts, Entertainment & Recreation	1,993	2,225	232
Accommodation & Food Services	7,262	8,109	847
Other Services (except Public Administration)	4,214	4,577	363
Public Administration	3,700	4,019	319
Totals	68,836	76,930	8,094

Based upon these projections there is potential for between 425,000 and 530,000 square feet of commercial space in office categories. Retail, restaurant and other non-office categories are not included in this estimate. Retail and restaurant demand are calculated in the section on Retail Services. Education, health care and social assistance are not included because of the assumption that much, if not all, of the space may be in other institutional settings. For education and health categories, local interviews are needed to assess the potential for location in the Plan Area.

Land Use Adjoining Roseburg Lumber

Retaining Roseburg Forest Products as a business and local employer is important to the City of Missoula. Among the potential land uses that might be located adjoining Roseburg Forest Products, it is necessary that they do not create constraints for the operation of an industrial site. Residential directly adjoining may not be appropriate due to safety issues such as unfettered rail and truck access, operating hours that may conflict with residential, noise, and possibly the presence of children in the area.[1] Similarly, placing retail next to the Roseburg site may introduce undesirable traffic conflicts between retail customers in autos and heavy trucks. Placement of retail and residential in the Plan Area may require buffering land uses between the Roseburg site and these uses.

There are industrial uses that can coexist with the Roseburg site on one face and less intensive use such as other office and commercial uses on the other, depending upon the site plans that are generated during this study process. Many industrial uses are now more akin to idea factories than to traditional heavy industry, even though the classification of use may remain the same. Such uses include office space with computers along with fabrication space for parts or modules that use software and designs created on site. Research and Development may also be an appropriate use as a transition to other land uses. There are uses such as Warehouse and Distribution that can act as a one sided buffer facing the heavy industrial use, while the rear side can be buffered from residential or retail uses by the appropriate uses listed above.

At the same time, high intensity employment that generates high volumes of private automobile traffic may not be appropriate adjoining this site if the safety of industrial access is compromised by the increase in automobile traffic. There are also users of

[1] In Kirkland, Washington housing units created near an existing asphalt plant resulted in children sneaking into the site after hours to play among the stockpiles of aggregate, a major safety concern, as well as children present on truck access routes to the site raising traffic safety concerns.

what is built as industrial space that are not appropriate, some of which exist in the Plan Area, such as dance studios, other educational uses, social assistance and health care, and other tenants of inexpensive space that cater to the general public.

Construction Costs and Mixed Use

Mixed-use development is usually thought of as multi-story buildings with a ground floor use and another use above, such as residential over retail. This is called vertical mixed use. There are several constraints to vertical mixed use. Vertical mixed use costs more due to fire breaks between uses, multiple building access points that lower efficiency, multiple vertical access requirements if access to the uses are incompatible as is the case with upper story residential, possibly more rigorous sprinkling requirements, podium construction, and the apportioning of parking and loading access for the varied uses.

Because of the cost of melding residential use with other uses, mixed-use residential usually requires higher rents than stand-alone residential. Residential mixed-use is successful in areas that are highly desirable, with lively walkable streets, activity during evening hours, amenities and services nearby, and complete street frontages without large gaps for parking. This implies an urban environment that includes pedestrian amenities and pedestrian lighting, public open space, and the attributes of a recognizable neighborhood or district. The demographics for such mixed use tend to be either upper income or more affordable projects built with some type of subsidy.

Based upon permit estimates of recent construction (seen in the following table) local multifamily construction, five units or more is a stand-alone use with low construction cost.

Missoula County 2014 Residential Building Permits Estimated

Item	Buildings	Units	Constr. cost	Cost/Bldg	Cost/unit
Single Family	227	227	34,655,774	152,669	152,669
Two Family	5	10	486,269	97,254	48,627
Three and Four Family	25	94	3,975,136	159,005	42,289
Five or More Family	11	247	10,118,867	919,897	40,967
Total	268	578	49,236,046	183,717	85,183

Source: U.S. Census Bureau

A vertical mixed-use residential unit can be expected to cost as much per square foot as a stand-alone building of 4 stories or more primarily because of vertical separation and vertical access.

Another way to accomplish mixed-use is to mix uses horizontally rather than vertically. This keeps construction costs at feasible levels and can, if carefully designed produce an attractive and amenity-rich neighborhood. As with vertical mixed use, scenarios will be evaluated for feasibility and the ability to carry out community goals.

Land Use and Phasing in the North ReservelScott Street Plan Area

To evaluate land use distribution and phasing for the development areas in the NRS, the areas were divided between the Reserve Street District (including the industrial core) and the Scott Street District as shown in the land use map.

Phase I land uses are based upon market information as follows:

- Residential Use: ESRI projections for the Missoula MSA
- Retail and Restaurant Use: ESRI data on household spending trended to reflect population change, including the impact of regional capture of sales
- Lodging: Square feet of employment change from State of Montana employment projections supporting business hotel use
- Office: Area employment change from State of Montana projections
- Transitional Industrial and Transitional Commercial: Area employment change from State of Montana projections

No vertical mixed use was included in Phase 1. Vertical mixed use requires a more built out environment with local amenities to justify the higher costs and leasing rates needed by vertical mixed use. No projections were made for the Industrial Reserve due to emerging trends in robotics, shrinking manufacturing employment as productivity rises and the unknown impact of current and future trade agreements that may relocate industries as they have in the past. The following tables show each use by square feet of use or dwelling units and land area in acres. Floor Area Ratio (FAR) an indication of density used for each category in each phase.

Reserve Street District and Industrial Core	Phase 1: 0 to 7 years Building Area	FAR	Site Area	Phase 2: 7 to 14 years Building Area	FAR	Site Area
Retail/Restaurant/Lodging	288,000		18.65	108,749		6.27
Retail	*157,000*	*0.32*	*11.3*	*43,249*	*0.40*	*2.5*
Restaurant	*15,000*	*0.25*	*1.4*	*5,500*	*0.37*	*0.3*
Lodging	*60,000*	*0.40*	*3.4*	*60,000*	*0.40*	*3.4*
Lodging Land in Development	*56,000*		*2.6*			
Industrial Reserve						
Office/Retail Flex	244,088	0.35	16.0			
Office Land in Development	157,356	0.43	8.5			
Transitional Industrial	400,000	0.38	24.2	249,900	0.38	15.1
Transitional Commercial						
Totals			67.3			21.4

Scott Street District	Building Area	FAR	Site Area	Building Area	FAR	Site Area
Residential	300	20DU/Ac	15.0	300	25 DU/Ac	12.0
Neighborhood Retail	39,000	0.34	2.6			
Open Space/Park						86.5
Transitional Commercial	100,000	0.38	6.0	166,600	0.38	10.1
Totals			23.7			108.6

Over time, density of land use is expected to increase from Phase 1 to Phase 2, but still allow development driven by surface parking.

Phase 2 and 3 land uses are based upon the following assumptions:

- Residential Use: State projections for population change using REMI modeling
- Residential density in Phase 3 is still at a density that allows surface parking or self-parked units
- Retail and Restaurant Use: Combining 2015 average household income with state population projections for Missoula to produce constant dollar spending and an estimate of space need based on individual retail categories, and including the impact of regional capture of sales
- Lodging: Square feet of employment change from State of Montana employment projections supporting business hotel use trended to 2036 using a medium estimate from low medium and high scenarios
- Office: Area employment change from State of Montana projections trended to 2036 using a medium estimate from low medium and high scenarios
- Transitional Flex: Area employment change from State of Montana projections trended to 2036 using a medium estimate from low medium and high scenarios
- Transitional Commercial in Phase 3 which includes mixed use residential: Based upon expected population change, retail estimates as above and employment estimates as above

Reserve Street District and Industrial Core	Phase 3: 14 to 20 years Building Area	FAR	Site Area	Phase 4: 20 years plus Building Area	FAR	Site Area
Retail/Restaurant/Lodging	164,355		8.83			9.01
Retail	*98,855*	*0.45*	*5.0*			
Restaurant	*5,500*	*0.37*	*0.3*			
Lodging	*60,000*	*0.40*	*3.4*			
Industrial Reserve						
Office/Retail Flex						
Office Land in Development						
Transitional Industrial	249,900	0.38	15.1			20.5
Transitional Commercial	346,365	0.50	15.9			32.7
Totals			39.8			62.2

Scott Street District	Phase 3: 14 to 20 years Building Area	FAR	Site Area	Phase 4: 20 years plus Building Area	FAR	Site Area
Residential	625	35 DU/Ac	17.9			17.2
Neighborhood Retail						
Open Space/Park						
Transitional Commercial	166,600	0.38	10.1			9.5
Totals			27.9			26.7

Over time, floor area ratios increase as the area builds out. This expectation is based upon the idea that as the area changes, land values are likely to increase, encouraging more efficient land use and that parking may be reduced by future residential use within the NRS.

Phase 4 land use is the remaining land after the first three phases. Trending past twenty years is complicated and uncertain. It requires more data and resources than are available for this project, as well as peer review, input from agencies and jurisdictions at the state level, and academic and industry research about potential future scenarios.

The following table summarizes all phases by square feet and acres of use.

Land Use Phasing Reserve Street District and Industrial Core	**Totals SF Use**	**Phase 1-3 Acres**	**Phase 4 Acres**	**Total Land**
Retail/Restaurant/Lodging	561,104	33.75	9.01	42.76
Retail	*299,104*	*18.79*		
Restaurant	*26,000*	*2.06*		
Lodging	*180,000*	*10.33*		
Lodging Land in Development	*56,000*	*2.57*		
Industrial Reserve				
Office/Retail Flex	244,088	16.01	-	16.01
Office Land in Development	*157,356*	*8.46*		8.46
Transitional Industrial	899,800	54.36	20.49	74.85
Transitional Commercial	346,365	15.90	32.69	48.59
Totals		128.48	62.19	190.67

Land Use Phasing Scott Street District	**Totals SF Use**	**Phase 1-3 Acres**	**Phase 4 Acres**	**Total Land**
Residential	1,225	44.86	17.20	62.06
Neighborhood Retail	39,000	2.63	-	2.63
Open Space/Park		86.50	-	86.50
Transitional Commercial	433,200	26.17	9.51	35.68
Totals		160.16	26.71	186.87
Totals Acres Reserve Street District and Scott Street District		288.64	88.90	377.54

The next table presents assumptions for area capture of land uses as a percentage of estimated totals for demand. Estimates are for Missoula County except for retail, which is calculated using a ratio of sales to outside-of-county customers versus local customers.

Total Uses Phase 1-3	MSA Use	Measure	NRSS Share	NRSS SF/Units
Retail, Restaurant, Lodging	1,316,472	SF	43%	561,104
Industrial Reserve	NA			
Office/Retail Flex	1,169,000	SF	34%	401,444
Transitional Flex	3,066,000	SF	40%	1,233,000
Neighborhood Center	39,000	SF	NA	39,000
Transitional Commercial				
Retail	329,517	SF	10%	32,952
Flex Uses	1,666,000	SF	10%	166,600
Restaurant	36,596	SF	10%	3,660
Residential Vertical Mixed Use	14,036	Units	2%	320
Residential Units	14,036	Units	9%	1,225

Capture ratios are aggressive for Office/Retail Flex and Transitional Industrial because this location will offer opportunities for business aggregation and building space choices at a variety of pricing that are not as available elsewhere.

All projections are conjectural; there may be another national downturn that renders these estimates moot. It is only recently that employment has recovered from the last market crash. After the crash of 2008, many jobs were lost and many employees have been re-employed in jobs that do not offer the same pay or benefits as before the crash. The trend of replacing skilled workers by outsourcing and by intelligent systems rather than people may prove to have a dampening long-term effect. Despite that possibility, the land use shown here are likely to occur eventually if major underlying factors do not bring unexpected change to the national economy because the local demographics of population change will spur new business development and new types of employment even in an uncertain future.

A Note on Floor Area Ratios (FAR): Floor area ratios now are partially governed by the need for parking. Currently, leasing rates will not support structured parking, but this is likely to change in the future as the North Reserve|Scott Street intensifies, land values rise, and local amenities increase. In the past, assumptions on parking need have been based upon empirical data from suburban development that can only be reached by car in places where there are no adjacent land uses with complementary timing and type of use. As an example, a movie theater or restaurant co-located with office space can achieve parking efficiencies not available to each use in a freestanding design. It will also be possible, over time, to convert large parking areas to a parking structure with new buildings as land and leasing values increase.

Market Based Plan Feasibility Elements

The land use programs are predicated on market feasibility but also on characteristics that will aid in feasibility and implementation. Basic goals include the following.

Familiar building types

The plan does not propose out-of-scale building types or building intensity that requires expensive parking structures outside of the means of current property owners. Rather, it is the arrangement of the street and the buildings that creates the public realm. This means that local developers need not worry that parts of the plan are not buildable or within their means to execute.

Application of Mixed Use

The plan employs mixes of uses extensively but primarily as horizontal mixed use in the first two phases. Vertical mixed use has been limited in early phases because it requires higher cost structures due to separate vertical circulation, fire breaks between uses, the potential need for fire suppression systems with separate hydrant connections, and building types that may require Type 1 or Type 2 construction rather than simpler, single use structures.

Three Land Use Categories for Reinforcement of Existing Business

The plan includes three land use categories, Transitional Industrial, Transitional Commercial, and Industrial Reserve, to act as transitions between new development and existing industry and to also preserve an industrial land base for the future. Infill

development that fits within the urban framework proposed will add housing and businesses without disturbing existing business. Increasing intensity in this way will increase the viability of the area as a venue for new business.

Opportunities for New Businesses in Transitional Land Use Categories

The new transitional land use categories offer opportunities not found elsewhere in the City to create buildings at a range of pricing to aid in new business creation, research and development uses, technology transfer in partnership with the university, space for startups in incubators of new industrial uses, and many other miscellaneous uses that may require flexible space. For the Reserve Street District, the Transitional Industrial Land Use Category will provide a unique area for the location of light industry in concert with larger scale retail and amenities such as restaurants and ATMs while offering new business an innovative environment and acting as a buffer to retain current heavy industry in the face of future development.

Housing and Public Improvements

The plan for the Scott Street District presents a future with additional housing and public improvements that will make it reasonable for new businesses to take the risk of locating in the Plan Area near the intersection of Scott Street and Palmer Street. The strategy is based upon the idea of increasing available local spending, while improving both foot and auto traffic to the area so that a local business can rely on having a sufficient number of customers.

A Range of Housing Opportunities

As noted in the demographic trends, the Plan Area has very few households. The plan proposes a mix and range of housing opportunities to be provided through new development in the Scott Street District, and potential mixed-use development adjoining the new office in the Reserve Street District. The Scott Street District development will add vital services and a component of walking and biking access that will serve to enhance quality of life for current Scott Street District residents. The design is not restricted to any particular type of building so that developers may choose to respond to the market as it changes over time. This will ensure that there will be feasible options that can fit local preferences and builders' capabilities.

Walkable Access to Retail and Services

Currently, the Plan Area does not provide a welcoming pedestrian environment. Part of the framework for change is to dramatically increase the pedestrian and bicycle infrastructure in the Plan Area to connect the Reserve Street District and the Scott Street District to make the Plan Area one where people can live, work, and shop in short trips by car, bicycle, and walking. The proposal for the Scott Street District and the pedestrian and bicycle network illustrated could be a transformative element for this area of the City.

Reserve Street District Land Use Elements

Hotel

Hotels typically build one room for every 3,000 square feet of occupied office space as well as tourist or visitor attractions. A small hotel typically requires 30 rooms to be feasible. While the time line for new office is not entirely clear, the office land use provides enough office in a concentrated area to support another hotel. The additional businesses in the Transitional Industrial land use category will allow for more rooms. Based on the accessible location in combination with office and retail uses, a hotel is feasible once it is clear that the office will actually be built. The most likely hotel type is limited service catering to business travel.

Retail on the North Reserve Street Corridor

Large-scale, stand-alone retailers look for freeway visibility on interstates with high traffic volumes, preferably where they can access multiple markets with one facility. The Reserve Street District is the only such location in Missoula with corresponding development that increases the utility of the area for prospective retail aggregations. Sales indicate that people drive for many miles to come to Missoula for retail purchases, and higher utility for customers will add to the feasibility for new retailers. The corridor is not of a type to support small storefront retail as on a main street, and reconfiguring to accomplish such an environment would be inimical to downtown and to the existing mall further south. The Reserve Street corridor is perfect, however, for an Ikea or similar store, and the ability of the City to offer a well-planned environment with jobs, industries, hotels, and retail with excellent access increases the value of the location for such facilities.

Office & Retail

The office and retail uses in the Plan Area create a district rather than a single land use area by including amenities office tenants want, such as the capability for cafes and restaurants, proximity to retail, a walkable and cycling friendly environment, and potentially adjoining some amount of mixed use for office employees who wish to live within a short distance from work. As such, the Plan Area may be able to start functioning as a vibrant commercial sub-center. Because of their horizontal mix of uses, such sub-centers held their leasing and property values during the last national downturn in contrast to stand-alone office parks, which decreased in leasing and value compared to downtowns and vibrant sub-centers. As such, this area, as it develops, should be a more attractive environment for investment, while also offering excellent regional access.

Mixed Use

Because of the cost of melding residential use with other uses, mixed-use residential usually requires higher rents than stand-alone residential. Residential mixed-use is successful in areas that are highly desirable, with lively walkable streets, activity during evening hours, amenities and services nearby, and complete street frontages without large gaps for parking. This implies an urban environment that includes pedestrian amenities and pedestrian lighting, public open space, and the attributes of a recognizable neighborhood or district. The demographics for such mixed use tend to be either upper income or more affordable projects built with some type of subsidy. A vertical mixed-use residential unit can be expected to cost as much per square foot as a stand-alone building of four stories or more primarily because of vertical separation and vertical access. Another way to accomplish mixed use is to mix uses horizontally rather than vertically. This keeps construction costs at feasible levels and can, if carefully designed, produce an attractive and amenity-rich neighborhood.

Industrial Core Land Use Elements

High Intensity Employment

High intensity land uses generate high volumes of private automobile traffic that may not be appropriate adjoining industrial uses. The safety of industrial access should not be compromised by an increase in automobile traffic from adjoining uses.

Scott Street District Land Use Elements

Senior Residences, Retirement and Assisted Living

The proportion of senior households in Missoula is increasing. As these households age, and are unable to continue auto-oriented lifestyles, they provide a market for houses and senior living units within a short walking distance of community amenities. In other markets, we have seen that homes with smaller lots and condominiums are popular "move-down" options for seniors. While other types of retirement living facilities provide luxury space and services, they do not offer the highly desirable community amenities that could be mixed with the rest of the program on this site including local-serving retail and walk-in medical offices. With many potential builders and operators, senior housing with community amenities holds a relatively low risk for implementation and could be feasibly provided by the private sector.

Housing

The largest land use in the Scott Street District is new housing. Adding housing reinforces the existing neighborhood and also provides households to add support for neighborhood retail that would serve the new and existing neighborhoods. Implementation of this use is relatively low risk and would generate new real estate taxes. The plan provides opportunities for families to live in a walkable village, close to shops and employment and thus, is suitable to capture the two largest market segments, those over 50, who may be looking to downsize, and those born after 1985, who may be forming new households and starting families.

Office & Medical Office Space

There is a market for new traditional office space and the Reserve Street District is the logical place, next to the new Consumer Direct offices. Office in the Reserve Street District can be implemented in the Transitional Commercial Land Use Category, but this is keyed to a different type of office that is ancillary to other uses and does not require typical finishes and fixtures seen in higher end office. The Transitional Commercial Land Use Category envisions building types that are lower in cost and risk in order to facilitate small office, satellite education, healthcare and social service offices, as well as space for new businesses.

Park & Open Space

Parks and open space are commonly part of new development programs since they provide an amenity that makes the site more attractive, and are often used for rainwater/snow management. Additional public space unrelated to new developments faces the

difficulty that it does not provide a stream of revenues sufficient to cover either land acquisition or landscaping. Where parks are an important public amenity, they are usually paid for, improved, and maintained by the government.

Neighborhood Retail

Attracting retail to this site will be difficult before any housing is built, but it can be achieved. The planned retail node is projected at 34,000 square feet of local-oriented services. The plan for new housing and employment reduces the risk of retail on this location by providing additional support for the primary market. Attracting a grocer to this location will be difficult before the housing is built and occupied, but may be possible if development time lines are definite, i.e. it is clear that the development is moving forward and that the housing will be fulfilled.

Educational

The Scott Street District could provide a setting for an educational facility geared to business creation, job training, and other uses that fit with a high employment area. However, such uses might prefer locations in the Reserve Street District where public transit routes and freeway access better serve the region. Recruiting such a user poses a basic funding challenge, but there may be funding from the Department of Labor. This use would fail to generate new revenues if operated by the public sector.

Community/Cultural Center

While not specifically shown in the Plan Concept, a community center of some type and size may be a neighborhood amenity. Similar to a park, this would require a public entity or beneficent organization to purchase the land and develop the center. Such community centers serve a number of needs but do not usually generate revenue. This makes implementation difficult for what is likely to be a costly project with no financial return. Often, however, subdivision developers add community space as an amenity to bolster sales with operations being covered by a homeowners association or covenant. If desired, this could become an element in a future agreement if the MRA assists with site acquisition.